

**PX 598**

## Q2 2019 XRP Markets Report

12 MIN READ • TEAM RIPPLE

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Ripple publishes the quarterly XRP Markets Report to provide regular updates on the state of the market, including quarterly programmatic and institutional strategy and sales, relevant XRP-related announcements such as Xpring and RippletNet partnerships, and commentary on previous quarter market developments. As an owner of XRP, Ripple believes in proactive transparency and in being a responsible stakeholder. Ripple urges others in the industry to follow its lead to build trust, foster open communication, and raise the bar industry-wide.

### CHANGE IN VOLUME BENCHMARK

In June 2019, Ripple shared (<https://ripple.com/insights/raising-the-bar-reporting-on-volume-and-sales-of-xrp/>) that the company's sales of XRP in Q2 2019 would be lower as a percentage of reported volume than in the previous quarters due to the concerns about misreported, falsified and inflated reported trading volumes.

Ripple worked with trusted partners to evaluate new sources of legitimate trading volume. After evaluation, Ripple decided CryptoCompare (<https://www.cryptocompare.com>)'s Top Tier (CCTT), the exchanges rated "AA," "A," and "B" by its Exchange Benchmark ([https://www.cryptocompare.com/media/35650785/cryptocompare\\_exchange\\_benchmarking\\_2019\\_06.pdf](https://www.cryptocompare.com/media/35650785/cryptocompare_exchange_benchmarking_2019_06.pdf)), offers a more complete look on the quality, regulatory environment, management, and structure of exchanges that filter out a majority of unverified volumes. Publicly available sources of trusted trading volume are still in relatively early stages, but CCTT is in line with what Ripple believes to be more accurate XRP trading volumes. For now, Ripple will use CCTT as its benchmark, and will continue to work proactively with industry participants toward resolving the issues around unreliable industry volume data.

### Q2 HIGHLIGHTS

- Overall market capitalization of digital assets sharply increased in Q2.
- Ripple sold \$251.51 million XRP in Q2 2019 and is substantially reducing future sales of XRP. Given the concerns about overstated market trading volumes, CryptoCompare will be Ripple's primary benchmark for XRP market volume going forward.
- Three billion XRP were released out of cryptographic escrow, 2.10 billion returned to escrow.
- XRP is now listed on over 130 exchanges worldwide.

<b>Sales Summary (<i>dollars in millions</i>)</b>	<b>Q1 2019</b>	<b>Q2 2019</b>
Institutional direct sales	61.93	106.87
Programmatic sales	107.49	144.64
Total sales	169.42	251.51

Global XRP Volume	Q1 2019	Q2 2019
ADV XRP ( <i>dollars in millions</i> )	595.28*	1,753.57* 429.51**
Total XRP volume ( <i>dollars in billions</i> )	53.85*	159.57* 39.09**
Total sales as % of total volume	.32%	.16* .64**

\*data from coinmarketcap.com; \*\*data from CryptoCompare Top Tier

## Q2 AND FUTURE XRP SALES

### Q2 Sales

In Q2 2019, Ripple sold \$106.87 million XRP in institutional direct sales and \$144.64 million in programmatic sales. In total, the company sold \$251.51 million XRP in Q2.

Given the reports of inflated volumes, which Ripple took seriously, the company temporarily paused programmatic sales and placed limits on institutional sales to evaluate the problem in early Q2. Ripple later resumed XRP sales at a rate that was 50% lower versus previous guidance, at 10 basis points of CoinMarketCap reported volumes. **Future Sales** Ripple plans to take a more conservative approach to XRP sales in Q3. As noted, the company switched benchmarks to CCTT and will target programmatic sales at 10 basis points of CCTT reported volumes.

## INSTITUTIONAL VS. PROGRAMMATIC SALES

### Institutional (OTC) Sales

In Q1 2019, three billion XRP were again released out of escrow (one billion each month). Additionally, 2.30 billion XRP were returned and put into new escrow contracts. The remaining 700 million XRP not returned to escrow are being used in a variety of ways to help support the XRP ecosystem.

Ripple's long-term view is that efficient, liquid XRP markets should resemble the traditional FX markets, given XRP's use case of global value transfer. As a large portion of FX trading occurs on the OTC markets, in 2017, Ripple began providing, through XRP II, a licensed subsidiary, OTC purchases of XRP to meet institutional demand, at a time when XRP/USD liquidity was limited. Since then, XRP listings increased as Ripple has partnered with the top digital asset brokers and used inventory to serve as a backstop for XRP liquidity. This allowed these OTC liquidity providers the ability to source XRP, even when institutional quantities of XRP were difficult to access across exchanges.

Ripple decided to pull back from providing XRP over-the-counter at scale toward the end of Q2, in light of the OTC desks' ability to source institutional demand for XRP in the open markets. Going forward, Ripple plans to focus institutional sales on markets where the on-exchange liquidity for XRP is insufficient to meet institutional demand.

### Programmatic Sales

Q1 saw significant developments from key companies focused on projects building and utilizing XRP, the XRP Ledger and ILP. These companies, which Xpring invested in and supports, include:

Ripple's programmatic XRP sales have been done with the goal of minimizing market impact. The company did this through limiting XRP programmatic sales to what it considers a small percentage of traded volume, which was executed across multiple exchanges. Ripple relies on programmatic sales partners who mainly execute trades passively; their trading volumes do not vary based on changes in the price of XRP, but they do increase as overall XRP trading volumes increase.

As discussed earlier, because of misreported trading volumes, Ripple has changed its sales strategy and benchmark for Q3, and will continue to closely monitor the situation.

## Q2 ESCROW ACTIVITY

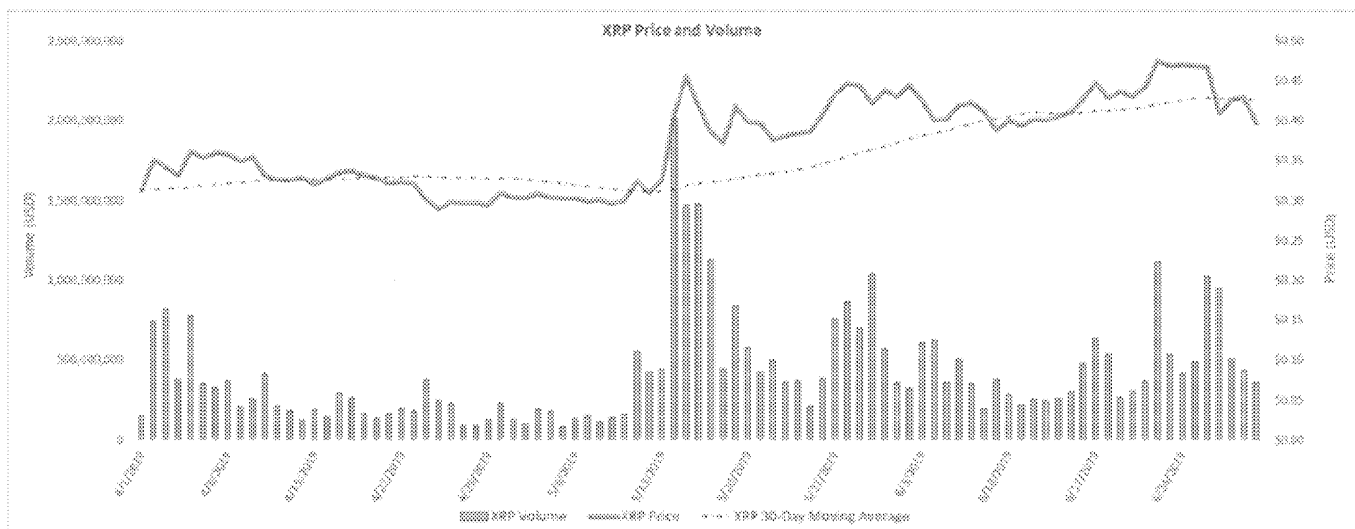
In Q2 2019, three billion XRP were again released out of escrow (one billion each month). 2.10 billion XRP were returned and subsequently put into new escrow contracts. The remaining 900 million XRP not returned to escrow are being used in a variety of ways to develop use cases for XRP, including Xpring initiatives and RippleNet partnerships (such as MoneyGram). All figures are reported based on transactions executed during the quarter.

## XRP COMMENTARY

The overall market capitalization of digital assets increased by 122.86% from Q1. XRP price gained 28.20% over Q2, ending the quarter at \$0.40 on coinmarketcap.com

### Volume

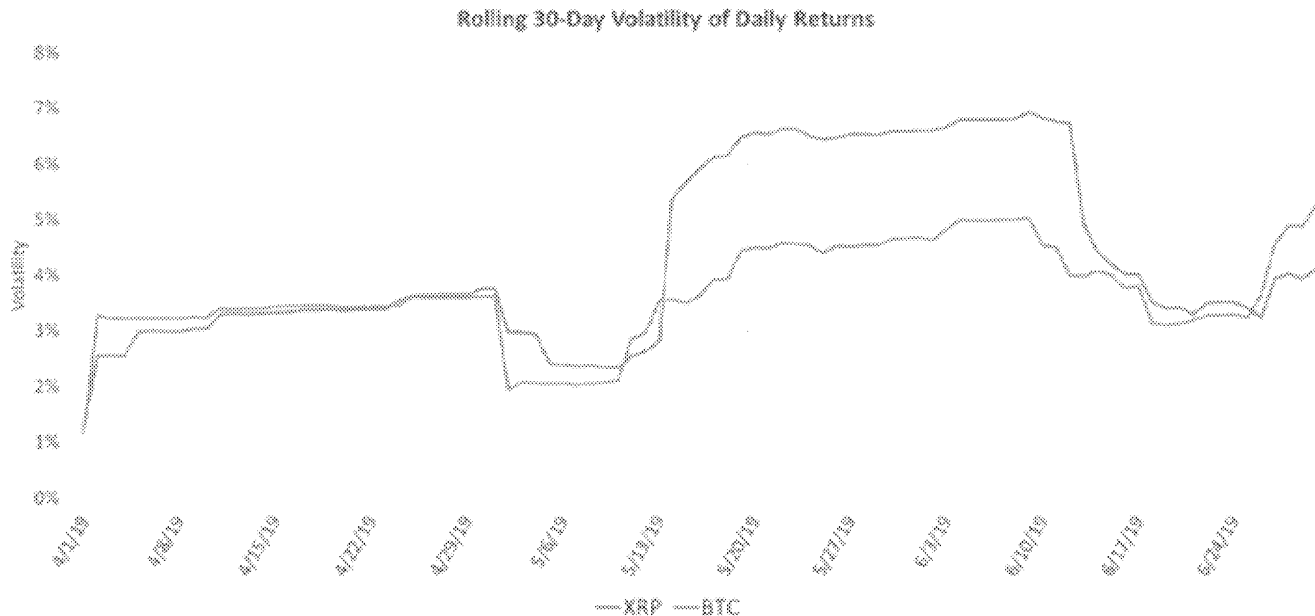
According to CCTT, the daily volume for XRP increased in Q2. The average daily volume was \$429.51 million in Q2 and \$156.01 million in Q1.



For reference, according to coinmarketcap.com, the average XRP daily volume was \$1.74 billion.

## Volatility and Correlation

XRP's volatility of daily returns over the quarter was 5.01%. Though there was a slight increase in volatility from Q1, XRP was in line with other top digital assets. In addition, XRP's correlation with bitcoin dropped from Q1, while its correlation with ether remained high.



## Exchanges

In Q2, 12 new exchanges listed XRP bringing the total number to over 130 exchanges worldwide.

## RIPPLENET

Q2 saw the highest number of customer transactions on RippleNet. In fact, the number of xRapid transactions increased 170% from Q1 to Q2 and Ripple had a 30% increase in the number of live xRapid partners in Q2. Ripple anticipates this momentum in transaction volume to continue as more partners and customers go live.

Notably in Q2, Ripple announced (<https://ripple.com/insights/ripple-announces-strategic-partnership-with-money-transfer-giant-moneygram/>) it agreed to enter into a strategic partnership with MoneyGram (NASDAQ: MGI), one of the world's largest money transfer companies. The company operates in the \$600 billion global remittance market, serving millions of customers in more than 200 countries and territories, supporting multiple currencies. Through this partnership, which will have an initial term of two years, Ripple would become MoneyGram's key partner for cross-border payments and foreign exchange settlement using digital assets. In conjunction with the partnership, Ripple has agreed to provide a capital commitment to MoneyGram, which enables the company to draw up to \$50 million in exchange for equity over a two-year period.

The partnership with Ripple focuses on the xRapid product. xRapid is a solution for on-demand liquidity, which leverages XRP, the native digital asset of the XRP Ledger, as a real-time bridge between the sending and receiving currencies.

## XPRING

Xpring is Ripple's initiative to support the open source community of developers, building on the decentralized XRP Ledger and use cases for XRP on that ledger. This support is done in two ways: 1) helping innovative blockchain projects grow through partnership and investment; 2) building crypto infrastructure through contributions to open source crypto protocols such as the XRP Ledger and Interledger projects. In addition, Xpring is building a developer platform to support open source developers to leverage these protocols. Xpring makes investments using a mix of traditional currency and XRP. XRP investments are generally subject to sales restrictions and intended for direct use in the tools and services being developed.

Companies and developers continued to build on the XRP Ledger, and utilize ILP and XRP. Significant developments from companies and projects, which Xpring invested in and supports, include:

- Bolt Labs (<https://boltlabs.tech/>) is a privacy-focused payment channel network supporting multiple digital currencies. Bolt scales off-chain transactions while preserving privacy.
- Agoric (<https://agoric.com/>) enables developers to build secure smart contracts and new digital assets that can connect to public and private blockchains.
- Robot Ventures (<https://robvc.com/>) is a (pre-)seed investor in early stage companies in the decentralized finance and blockchain space.

## MARKET COMMENTARY

### Notable Regulatory Activity

- The SEC announced (<https://www.nextgov.com/emerging-tech/2019/07/sec-wants-subscription-blockchain-data/158225/>) that it would establish nodes on certain open source, permissionless ledgers, such as the XRP Ledger, to help inform its policy making.
- The UK's Financial Conduct Authority analogized (<https://www.fca.org.uk/publications/consultation-papers/cp19-22-restricting-sale-retail-clients-investment-products-reference-cryptoassets>) XRP to ETH, which it recognized was a hybrid utility/exchange token, not a security token.

### Technology companies enter the space

New entrants into the ecosystem brought global awareness around crypto and blockchain. Most notably, Facebook's announcement (<https://www.wsj.com/articles/facebook-unveils-crypto-wallet-based-on-currency-libra-11560850141>) of the Libra whitepaper in June brought mainstream attention from all audiences. Akin to JP Morgan's announcement of its JPM Coin trial, the news brought market validation to the space, highlighting the benefits that blockchain and crypto bring to payments. However, Facebook faced significant regulatory headwinds as regulators questioned the company's ability to protect consumer data and comply with anti-money laundering and know-your-customer laws. Facebook was not the only tech company that announced it was breaking into crypto and blockchain this quarter:



- Amazon was granted (<https://www.coindesk.com/amazon-wins-patent-for-proof-of-work-cryptographic-system>) a patent to build a proof-of-work cryptographic system to fight DDOS attacks. Also, Amazon Web Services launched (<https://www.coindesk.com/amazon-web-services-opens-blockchain-building-service-up-for-wider-use>) its Managed Blockchain service, which supports open-source framework Hyperledger Fabric, for its enterprise clients.
- Yahoo! Japan went live (<https://www.fxstreet.com/cryptocurrencies/news/yahoos-cryptocurrency-exchange-to-go-live-on-may-30-201905280742>) with Taotao, its cryptocurrency exchange, where bitcoin and ether will be initially traded, and margin trading of XRP and litecoin will be available.
- Google announced (<https://cloud.google.com/blog/products/data-analytics/building-hybrid-blockchain-cloud-applications-with-ethereum-and-google-cloud>) that Ethereum app builders using Google software will be able to integrate data from sources outside the blockchain through a partnership with Chainlink.
- Samsung announced the development (<https://www.coindesk.com/samsung-developing-ethereum-based-blockchain-may-issue-own-token>) of its own Ethereum-based blockchain and may issue its own token.

### Increased Institutional Interest

Digital assets experienced increasing levels of institutional interest over the past three months. Last quarter, futures trading and other crypto derivatives were widely discussed (<https://www.wsj.com/articles/bitcoin-rally-fuels-market-in-crypto-derivatives-11562146202>) as the market capitalization of digital assets increased, CME (<https://cointelegraph.com/news/cme-bitcoin-futures-record-17-billion-high-in-notional-value>) reached a record high for BTC futures and Bakkt (<https://cointelegraph.com/news/bakkt-names-launch-date-for-bitcoin-futures-testing>) announced plans to begin testing its future contracts.

### Banks continue to bet on crypto and blockchain

Established banks continued to show interest in blockchain and crypto as they build their own private blockchain solutions and tokens. Last quarter, a group of 14 financial firms led by UBS including Barclays, Santander, and Canadian Imperial Bank of Commerce created Fnality International (<https://www.wsj.com/articles/ubs-led-group-to-launch-blockchain-based-trade-settlement-platform-11559554201>) to aid in the development and launch of a utility settlement coin (USC) to improve cross-border payments. JPMorgan announced that it will start customer (<https://www.coindesk.com/jpmorgan-to-start-customer-trials-of-its-jpm-coin-crypto>) trials of its JPM Coin with corporate clients, and Goldman Sachs CEO (<https://www.coindesk.com/goldman-sachs-ceo-hints-bank-might-launch-jpm-coin-like-crypto>) said the bank is doing extensive research on asset tokenization and stablecoins.

Crypto exchanges reported record trading volumes (<https://cointelegraph.com/news/welcome-to-the-2019-bull-market-bitmex-trades-record-16-billion-in-one-day>) and profit (<https://www.theblockcrypto.com/tiny/binance-brought-in-78-million-in-profits-in-q1-up-66-quarter-on-quarter/>). Traditional brokerage (<https://www.bloomberg.com/news/articles/2019-06-17/tp-icap-enters-the-crypto-business-to-trade-bitcoin-derivatives>) firms plan to offer cryptocurrency trading to their institutional clients.

### ADDITIONAL REGULATORY HIGHLIGHTS IN Q2

## Americas and Europe

- The G20 officially announced (<https://www.coindesk.com/g20-reaffirms-it-will-apply-expected-tough-new-fatf-rules-on-crypto>) its support of the FATF's crypto guidelines and ongoing work by the Financial Stability Board (FSB) to explore the implications of decentralized fintech and how regulators can better engage stakeholders.
- SEC Commissioner Hester Peirce said (<https://www.sec.gov/news/speech/peirce-how-we-howe-050919>) current guidance falls short of clarity that the industry needs to move forward to develop additional guidelines regarding crypto.
- France pushed (<https://uk.reuters.com/article/us-france-cryptocurrencies/france-to-ask-eu-partners-to-adopt-its-cryptocurrency-regulation-idUKKCN1RR1Y0?rpc=401&>) for the EU to adopt a cryptocurrency framework to achieve uniform laws.
- Bitstamp was granted ([https://www.dfs.ny.gov/reports\\_and\\_publications/press\\_releases/pr1904092](https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1904092)) a virtual currency license by the New York Department of Financial Services.
- The SEC (<https://www.wsj.com/articles/sec-sues-kik-over-100-million-token-sale-11559668489>) sued Kik for allegedly running an unregistered securities sale back in 2017 when it launched an ICO for its kin token.
- The UK's Financial Conduct Authority is consulting on a potential ban (<https://www.fca.org.uk/publications/policy-statements/ps19-18-restricting-contract-difference-products>) on the sale of crypto derivatives to retail investors.

## APAC

- Reserve Bank of India considered (<https://www.finextra.com/newsarticle/33993/india-to-review-payments-data-storage-rule/blockchain>) a law that mandates payments data should not be allowed to leave its borders, and announced (<https://www.theblockcrypto.com/tiny/the-reserve-bank-of-india-announces-fintech-regulatory-sandbox-excludes-cryptocurrency-projects/>) a framework for its fintech sandbox that invites blockchain projects to take part, but excludes cryptocurrency-related businesses.
- Nepal banned ([https://www.theepochtimes.com/nepal-bans-chinas-wechat-pay-alipay\\_2932409.html](https://www.theepochtimes.com/nepal-bans-chinas-wechat-pay-alipay_2932409.html)) AliPay and WeChat Pay, citing they are not registered as official payment systems.
- Japan's House of Representatives passed new (<https://cointelegraph.com/news/japanese-parliament-moves-new-crypto-regulations-to-the-upper-house>) crypto regulation in the upper house of the National Diet (Japan's bicameral legislature) intended to strengthen local regulations and cryptocurrency trading practices.

## South America

- Brazil established (<https://finance.yahoo.com/news/brazil-establishes-committee-cryptocurrency-regulation-213100294.html>) a new commission to consider crypto regulation in the country. The commission will be composed of 34 members in accordance with the House Rules of Procedure. Also, the country's major financial authorities announced a regulatory (<https://www.coindesk.com/brazil-financial-authorities-announce-regulatory-sandbox-for-blockchain>) sandbox for blockchain, fintech and crypto.
- The Chilean government introduced ([https://cointelegraph.com/news/chilean-government-introduces-new-cryptocurrency-and-fintech-regulation-bill-to-congress/amp?\\_\\_twitter\\_impression=true](https://cointelegraph.com/news/chilean-government-introduces-new-cryptocurrency-and-fintech-regulation-bill-to-congress/amp?__twitter_impression=true)) a bill on cryptocurrencies for congress.



## Middle East and Africa

- Egypt lifted its ban, and will allow (<https://www.coindesk.com/egypt-lifts-ban-will-allow-licensed-cryptocurrency-companies>) licensed cryptocurrency companies.
- Pakistan Central Bank announced its intention to launch (<https://www.coindesk.com/pakistan-central-bank-eyes-digital-currency-launch-by-2025>) a digital currency by 2025, in an effort to go fully digital by 2030.

## CONCLUSION

Q2 was marked by increased regulatory activity, landmark partnerships and high profile announcements from new entrants and key industry players. These activities underscore the continued maturation of the blockchain and crypto markets. In addition, Ripple has taken proactive steps to address the issues of inflated volumes by reducing future XRP sales and changing its volume benchmark.

If interested, please find the Q1 2019 XRP Markets Report here (<https://ripple.com/insights/q1-2019-xrp-markets-report/>).

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